

ILLINOIS COMMERCE COMMISSION

DOCKET NOS. 00-0789 AND 01-0046

DIRECT TESTIMONY

OF

LAURIE H. KARMAN

Submitted On Behalf

Of

CENTRAL ILLINOIS PUBLIC SERVICE COMPANY

d/b/a AmerenCIPS

AND

UNION ELECTRIC COMPANY

d/b/a AmerenUE

March 30, 2001

1    **Q.     Please state your name and business address.**

2    A     My name is Laurie H. Karman. My business address is 2105 East State Route  
3           104, Pawnee, Illinois 62558.

4    **Q.     By whom are you employed and in what capacity?**

5    A     I am General Supervisor, Credit & Collections for Central Illinois Public Service  
6           Company, doing business as AmerenCIPS, and Union Electric Company, doing  
7           business as AmerenUE (collectively referred to herein as “Ameren”).

8    **Q.     Please summarize your educational background, your work experience, and**  
9           **the duties of your position.**

10   A     I have a bachelor’s degree in business administration from Western Illinois  
11           University. I also have a master’s degree in business administration from  
12           Sangamon State University (now known as the University of Illinois-Springfield).  
13           I joined AmerenCIPS in 1979 and initially worked in the Company’s Macomb  
14           local office performing a number of customer service activities. In 1980, I was  
15           transferred to the Company’s Customer Service Department in Springfield,  
16           Illinois. In 1986, I was named Customer Assistance Program Coordinator and  
17           was responsible for the implementation of customer assistance programs,  
18           including the state-wide IRAPP and REAPP programs. In 1989, I became Credit  
19           & Collection Supervisor. In 1996, I was named Credit & Collections  
20           Administrator at the Company’s Pawnee Call Center. In May of 2000, I assumed  
21           my current position as General Supervisor, Credit & Collections in which I have  
22           credit and collection responsibilities for AmerenCIPS and AmerenUE. I currently  
23           serve on the Advisory Board of Consumer Credit Counseling Services and am

1       Treasurer of the National Association of Credit Management's (NACM)  
2       International Utility Group. I have been appointed to the Illinois Commerce  
3       Commission's Consumer Education Working Group to develop consumer-related  
4       information related to deregulation. I also hold the professional designation of  
5       CBA (Credit Business Associate) in the field of Credit Management.

6       **Q.     What is the purpose of your direct testimony?**

7       A.     The purpose of my direct testimony is to address the Petition for Emergency  
8       Rulemaking and Expedited Investigation filed by the City of Chicago and the  
9       Cook County State's Attorney in Docket No. 00-0789, as well as the Petition and  
10      Amended Petition filed by Pat Quinn in Docket No. 01-0046.

11      **Q.     Could you please provide a brief summary of the background of Docket No.**  
12      **00-0789?**

13      A.     Yes. Docket No. 00-0789 was initiated on December 12, 2000, when the City of  
14      Chicago and the Cook County State's Attorney filed a joint petition with the  
15      Illinois Commerce Commission ("Commission") requesting that the Commission  
16      issue emergency rules governing the budget billing programs of all gas utilities  
17      operating in the State of Illinois, and initiate an expedited investigation of such  
18      programs. The petitioners cited the significant increase in gas costs experienced  
19      during last winter as the justification for their filing. The petitioners also stated  
20      that they had met on several occasions with representatives of Peoples Gas Light  
21      and Coke Company ("Peoples") and Northern Illinois Gas Company d/b/a Nicor  
22      Gas ("Nicor"), and that although these utilities had made efforts to notify their  
23      customers that their bills would be increasing over the winter months, the

1 additional measures proposed in the petition were necessary to protect customers.

2 Specifically, the petitioners proposed to require all gas utilities to:

- 3 • Permit customers to enroll in budget billing plans any time of the year;
- 4 • Permit customers to sign up for a budget plan directly on their bills;
- 5 • Permit customers with past due amounts to enter into short term
- 6 agreements to pay these amounts over a period of at least 12 months;
- 7 • Expand budget billing plans to stretch out payments beyond 12
- 8 months;
- 9 • Provide payment options to customers if the underpayment remaining
- 10 at the end of the budget plan is greater than \$100.00; and
- 11 • Provide a toll-free number that customers can call to enroll in a budget
- 12 plan.

13 The Commission scheduled a workshop, in which the petitioners and natural gas  
14 companies discussed the petition. Following the workshop, the parties provided  
15 initial and reply comments to the Commission. In their comments, the gas  
16 utilities generally opposed the implementation of the proposed emergency rules  
17 on various grounds, and the Commission Staff expressed concerns about the  
18 apparent conflict between the emergency rules and other Illinois statutes and  
19 Commission rules. Following receipt of the comments, the Hearing Examiner  
20 determined that:

- 21 • The comments did not justify the issuance of the proposed emergency
- 22 rules;
- 23 • This proceeding should be consolidated with Docket No. 01-0046; and

1                   • The parties should file testimony in the consolidated proceeding.

2           On March 15, 2001, the City of Chicago filed its Notice of Withdrawal in this  
3           proceeding, based on a settlement reached between the City and Peoples. The  
4           Cook County State's Attorney filed an Emergency Petition For Interlocutory  
5           Review of the Hearing Examiner's decision to not immediately adopt the  
6           proposed emergency rules, which is now pending.

7   **Q.   Is there any need for the generic rules governing budget billing programs for**  
8   **all gas utilities proposed by the petitioners in this proceeding?**

9   A.   No. Although some gas customers clearly experienced legitimate problems as a  
10       result of the increase in gas costs experienced this winter, the proposed rules are  
11       not an appropriate, or even helpful, response to these problems. For one thing, as  
12       was pointed out in comments filed by Ameren and other utilities, the proposed  
13       rules were apparently designed to address problems perceived by the petitioners  
14       with the specific budget billing programs of Peoples and Nicor, not problems with  
15       the programs of downstate utilities. The petitioners never discussed budget  
16       billing issues with Ameren prior to filing their petition, and apparently did not  
17       review the budget billing programs of Ameren and the other downstate utilities.  
18       If they had performed such a review, they would have realized that many budget  
19       billing programs already contain a number of the features proposed in the rule.  
20       For example, Ameren already permits customers to enroll in its budget billing  
21       plan at any time of the year, it already provides a toll-free number which can be  
22       used by customers to enroll in the budget billing program, and it already gives

1 customers various options to address underpayments remaining at the end of a  
2 budget billing plan.

3 **Q. Did Ameren's customers experience problems with its budget billing plan**  
4 **during this past winter?**

5 A. Not really. Although increasing gas prices adversely affected Ameren's gas  
6 customers, we did not receive a significant number of complaints about our  
7 budget billing program. This may be partly a result of the fact that Ameren's gas  
8 costs were relatively low due to our effective utilization of storage and hedging  
9 instruments this winter. But it was also undoubtedly due to the fact that Ameren's  
10 budget billing program already incorporates some of the features requested by the  
11 petitioners. In any event, it suggests that any proposed enhancements to budget  
12 billing programs should be considered on a company-by-company basis, and not  
13 subject to a generic rulemaking which would be applicable to all gas utilities. If a  
14 gas company's budget billing program is not broken, there is no need to fix it with  
15 inflexible rules of the type that have been proposed in the petition. This is  
16 especially true now that the City of Chicago has reached a settlement with  
17 Peoples and is withdrawing from this proceeding. If the Cook County State's  
18 Attorney still perceives problems with Nicor's budget billing program, those  
19 perceived deficiencies can and should be addressed in a company-specific  
20 proceeding, without involving all of the other gas utilities in the state. Simply  
21 put, there has been no showing that the proposed budget billing rules are  
22 warranted for all of the gas utilities in the state.

1    **Q.     Would there be any problems with imposing budget billing requirements on**  
2       **gas utilities that are not applicable to other Illinois utilities?**

3    A.    Yes, there would. In my opinion it would be unfair to single out gas customers  
4       for special treatment in budget billing programs. Although gas prices were  
5       clearly higher than normal this winter, this fact alone does not justify a different  
6       treatment of gas customers compared to the consumers utilizing equally critical  
7       utility services, such as electric, water and sewer services. In addition, it is  
8       important to keep in mind that the same customers use all of these services. It  
9       would be illogical and confusing to customers to have one set of standards  
10      applicable to budget billing for gas service, and a completely different set of  
11      standards applicable to budget billing for the other utility services.

12  
13      In addition, as a combination gas and electric utility, Ameren would face  
14      significant obstacles in implementing different gas and electric budget billing  
15      programs. It would be expensive and time consuming to set up redundant budget  
16      billing programs for gas and electric service having different requirements.  
17      Combined gas and electric bills would have to be split into two separate bills, and  
18      the risk of employee and customer confusion would be much greater. In short,  
19      having special budget billing rules for gas customers is a particularly bad idea  
20      when a combination utility is involved.

21   **Q.     Has Ameren taken any steps to ameliorate problems for its gas customers**  
22       **this winter?**

1 A. Yes. As explained in detail in its reponse to the Commission’s Notice of Inquiry,  
2 Chairman Mathias’ Initiatives, and Commission Staff data requests regarding the  
3 gas price increase, Ameren has taken extraordinary steps to keep its customers  
4 informed of gas price increases, and their options for addressing billing problems  
5 this winter. Ameren is also committed to pursuing the implementation of “best  
6 practices” identified through these proceedings. Ameren believes that any  
7 required enhancements to budget billing programs can best be identified and  
8 implemented through these collaborative processes, which are based on a careful  
9 examination of the practices employed by each utility. This is a much better  
10 alternative than implementing inflexible rules advocated by the Cook County  
11 State’s Attorney alone, based on its review of the Peoples and Nicor budget  
12 billing programs. A more measured and thoughtful approach is also justified,  
13 now that the winter has passed and spot gas prices have moderated somewhat.

14 **Q. Could you please provide a brief summary of the background of Docket No.**  
15 **01-0046?**

16 A. Yes. This proceeding began on January 7, 2001, when Pat Quinn, the former  
17 Treasurer of the State of Illinois, filed a petition for an emergency rule barring  
18 Illinois gas utilities from providing information to credit bureaus about delinquent  
19 gas accounts. Again, as justification for the proposed rule, the petitioner cited the  
20 increase in natural gas prices that Illinois consumers have experienced this winter.  
21 On February 19, 2001, Mr. Quinn filed an amended petition providing specific  
22 language for his proposed emergency rule, submitting additional justification for  
23 the rule based on gas prices, and providing citations to specific Illinois statutes



1       which Mr. Quinn believes authorize the Commission to implement such a rule.  
2       On March 2, 2001, the Hearing Examiner issued an order consolidating Docket  
3       No. 01-0046 with Docket No. 01-0789. Pursuant to a separate order of the  
4       Hearing Examiner, also issued on March 2, 2001, the parties submitted initial and  
5       reply briefs addressing four specific issues in this proceeding.

6       **Q.   Do you believe that it is appropriate for the Commission to prohibit gas**  
7       **utilities from providing information concerning delinquent accounts to credit**  
8       **bureaus?**

9       A.   No. There are several reasons that it is not appropriate for Commission to  
10       implement such a prohibition. First, as explained in the brief submitted in this  
11       proceeding by Ameren's legal counsel, there are potential legal problems because  
12       of the inconsistency of this proposed rule with existing federal and state credit  
13       reporting laws. Since I am not a lawyer, I am only directing attention to the  
14       arguments contained in the pleading. Second, from a policy standpoint, I believe  
15       that it is inappropriate and unfair to single out gas customers for special credit  
16       reporting treatment. Again, especially for combination utilities such as Ameren, it  
17       would be confusing and difficult to administer inconsistent programs for gas and  
18       electric customer-s. Finally, and perhaps most significantly, such a prohibition  
19       would deprive gas utilities of an important tool that enables them to collect  
20       delinquent accounts.

21  
22       Ameren's policy is to not report any of its active customers to credit reporting  
23       agencies. However, once a customer leaves the system, Ameren frequently

1 employs the services of a collection company to recover any delinquent amounts  
2 owed by the customer. As part of its service, the collection company reports  
3 delinquent customers to credit bureaus. In many cases, particularly where the  
4 customer has moved from Ameren's service territory, a report to a credit bureau is  
5 the only leverage Ameren can use as a practical matter to encourage the customer  
6 to pay his delinquent bill. If Ameren was not permitted to use this tool to recover  
7 delinquent accounts, in my opinion the amount of uncollectibles that Ameren  
8 would have to write off would significantly increase, to the ultimate detriment of  
9 its remaining customers.

10 **Q. Is credit reporting used in other industries to collect delinquent bills?**

11 A. Yes. Credit reporting is commonly used in many other industries as a collection  
12 tool for delinquent accounts. The petitioner has provided no persuasive reason for  
13 the Commission to deprive gas utilities of the use of this important tool, and  
14 thereby increase their cost of service.

15 **Q. Does this conclude your direct testimony?**

16 A. Yes it does.